

Message Text

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PAGE 01 USUN N 01337 01 OF 02 241810Z

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ACTION IO-10

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PA-01 PRS-01 SP-02 SS-15 USIA-06 AID-05 EB-07 CIEP-01

TRSE-00 STR-04 OMB-01 CEA-01 COME-00 FEAE-00 INT-05

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TO SECSTATE WASHDC PRIORITY 036

C O N F I D E N T I A L SECTION 1 OF 2 USUN 1337

E.O. 11652: GDS

TAGS: UNGA, EGEN

SUBJ: SEVENTH SPECIAL GENERAL ASSEMBLY SESSION SEPTEMBER:
PREPARATION PHASE - COMMODITIES AND INDEXATION

1. SUMMARY: PRESENT SIGNS INDICATE THAT IN ABSENCE OF
DRAMATIC AND EARLY US INITIATIVE ON INDEXATION AND
COMMODITIES, THE SEVENTH SPECIAL SESSION OUTCOME WILL BE
MORE INIMICAL TO US THAN THE OUTCOME OF SIXTH SPECIAL
SESSION. PRUDENT PLANNING MAKES IT CLEAR THE LAST POSSIBLE
TIME TO MAKE AN EFFECTIVE INITIATIVE WILL BE IN THE PERIOD
JUST PRIOR TO THE JUNE PREP COM, NEW YORK CITY, JUNE 16
TO JUNE 27. THIS MESSAGE ADDRESSES THE ISSUE OF "WHAT"
(SUBSTANCE) AND "WHEN" (TIMING) REGARDING US POSITION AND
PARTICIPATION IN THE SEVENTH SPECIAL SESSION; IT DOES NOT
DEAL WITH THE QUESTION OF THE "HOW" OF CONSULTATIONS
(CONDUCT OF CONSULTATIONS) WHICH ARE WELL UNDERWAY IN
WASHINGTON, NEW YORK AND CAPITALS. END SUMMARY.

2. THE POSITION OF THE "THIRD WORLD" UNDER THE UNQUESTIONED
LEADERSHIP OF ALGERIA IS NOW BEGINNING TO HARDEN. THE
INSISTENCE ON A LINKAGE BETWEEN ENERGY AND COMMODITIES IS
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PAGE 02 USUN N 01337 01 OF 02 241810Z

REFLECTED IN THE SELF-PROCLAIMED VICTORY OF ALGERIA IN

COLLAPSING THE RECENT PARIS CONFERENCE. WE EXPECT THAT THE SHAPE OF THE THIRD WORLD POSITION ON "INDEXATION" WILL EMERGE FROM THE ECONOMIC COMMISSION FOR LATIN AMERICA MEETING IN TRINIDAD AND TOBAGO, COMMENCING MAY 6. IT IS NOW CLEAR THAT BY THE TIME OF THE JUNE PREP COM FOR THE SPECIAL SESSION THE SUBSTANTIVE POSITION OF THE THIRD WORLD WILL BE SOLIDIFIED.

3. THE TWO MAJOR ISSUES WHICH UNDERLIE AND PERMEATE THIRD WORLD PREOCCUPATION IN THE INTERNATIONAL ECONOMIC ENVIRONMENT ARE: (A) COMMODITY ARRANGEMENTS, AND (B) PRICE LINKAGE BETWEEN LDC COMMODITY EXPORTS AND MANUFACTURED IMPORTS -- IN UN JARGON "INDEXATION". (CONCEPTUALLY, INDEXATION IS SUBSUMED WITHIN GENERAL CONCERNS REGARDING NEW COMMODITY ARRANGEMENTS. CONSEQUENTLY, TO THE EXTENT PROPOSALS FOR COMMODITY ARRANGEMENTS ARE PERCEIVED BY THIRD WORLDERS TO BE RESPONSIVE TO THEIR APPREHENSIONS, THEN TO THAT EXTENT THERE WILL BE LESS PRESSURE ON AND RHETORICAL HEAT AROUND ISSUE OF "INDEXATION".) THESE ISSUES REFLECT THEMSELVES IN RUBRICS SUCH AS INTEGRATED DEVELOPMENT, TERMS OF TRADE, INTERNATIONAL PRICING PATTERNS, REAL RESOURCE TRANSFERS AND INSTITUTIONAL FINANCIAL ARRANGEMENTS. FOR MORE THAN SIX MONTHS IT HAS BEEN CLEAR THAT THE TRUE KEY TO RESOLUTION OF THE OIL PRICING COMPLEX LIES IN SOME FORM OF LINKAGE TO STATED PRICES OF COMMODITIES (ANALOGOUS TO POSTED PRICES AS TO OIL) -- E.G., IT WOULD BE USEFUL TO RECALL THE MOST MODERATE STATEMENT OF THIS POSITION MADE BY THE SHAH OF IRAN IN AUSTRALIA DURING THE COURSE OF HIS STATE VISIT THERE LAST FALL. SIMILARLY, IT HAS BEEN CLEAR FOR MORE THAN SIX MONTHS TO MOST MEMBERS OF THE INTERNATIONAL COMMUNITY THAT SOME FORM OF COMMODITY ARRANGEMENTS OTHER THAN THE MECHANISM OF "THE FREE MARKET" SHOULD BE CREATED AS A NECESSARY PRECONDITION TO THE ESTABLISHMENT OF A RATIONAL INTERNATIONAL ECONOMIC ORDER. E.G., IT SHOULD BE RECALLED THAT ON THE OCCASION OF THE VISIT OF THE PRIME MINISTER OF THE UNITED KINGDOM, THE MAJOR REPEAT MAJOR MATTER HE WISHED TO DISCUSS WAS A COMMON WESTERN POSITION ON COMMODITY ARRANGEMENTS. SHORTLY AFTER HIS DEPARTURE FROM THE US, HE DELIVERED A MAJOR SPEECH AT LEEDS OUTLINING A NEW BRITISH POLICY POSITION OF FLEXIBILITY ON COMMODITY ARRANGEMENTS. WE HAVE BEEN INFORMED THAT THE EC 9 HAS, IN PRINCIPLE,

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PAGE 03 USUN N 01337 01 OF 02 241810Z

ADOPTED THE UK POSITION WHICH WILL BE INTRODUCED BY THE UK INTO THE INTERNATIONAL COMMUNITY AT THE COMMONWEALTH CONFERENCE OPENING APRIL 29 AT KINGSTON.

4. ASSUMING A US POSITION BEYOND "THE STATUS QUO ANTE", IT IS IMPERATIVE THAT RESULTING COMMODITY AND INDEXATION INITIATIVES BE DEVELOPED SUFFICIENTLY TO BE REVEALED, AT LEAST IN MAJOR OUTLINE, IN THE TIME FRAME OF THE JUNE

PREP COM. THE G-77 - NON-ALIGNED, UNDER ALGERIAN LEADERSHIP, IS EVEN NOW IN THE PROCESS OF CONSTRUCTING A UNIFIED POSITION WHICH, IN AND OF ITSELF, REQUIRES EXTENSIVE, AND COMPLEX, AND DELICATE ADJUSTMENTS OF COMPETING NATIONAL AND REGIONAL INTERESTS WITHIN THE GROUP. ONCE THE NA GROUP POSITION HAS BEEN TAKEN -- DESPITE UNQUESTIONED GOODWILL AND WELL-INTENDED DECLARATIONS OF FLEXIBILITY ON THE PART OF INDIVIDUAL NATIONS (USUALLY MADE IN CAPITALS) -- THE FINAL FORMULAS WILL BE SO DELICATELY BALANCED THAT IN FACT NOT A SINGLE COMMA OF THE DOCUMENTATION CAN BE CHANGED. FOR THE NA LEADERSHIP TO DO SO WOULD BE TO REOPEN THE ENTIRE PROCESS OF INTRAGROUP NEGOTIATION, ADJUSTMENT, COMPROMISE AND FORMULATION. WE HAVE NO BASIS FOR AN EXPECTATION THAT THE NA LEADERSHIP -- PARTICULARLY ALGERIA -- WOULD DO SO AT THAT STAGE. THEREFORE TO HAVE AN EFFECTIVE IMPACT, THE US MUST BE PREPARED, AFTER "NOTIFICATION" TO THE WESTERN COMMUNITY, TO PRESENT ITS POSITION IN JUNE IF INDEED IT IS TO HAVE ANY EFFECT WHATSOEVER.

5. THE TARDINESS OF US INITIATIVE AT THE SIXTH SPECIAL SESSION IS HIGHLY INSTRUCTIVE IN THIS REGARD. ALL OF OUR REPORTING SERVICES CONFIRMED THAT THE US INITIATIVE, ON ITS MERITS, WAS HIGHLY ATTRACTIVE TO MANY INFLUENTIAL THIRD WORLDERS, E.G., KENYA, INDIA, LIBERIA, YUGOSLAVIA AND MEXICO. THE ONLY SOUR NOTE WAS STRUCK BY THE OPEC'S WHO ADMITTED TO US THAT THE BASIS OF THEIR APPREHENSION LAY SIMPLY IN THE FACT THE US INITIATIVE REPRESENTED A CREDIBLE THREAT TO DIVIDE THE THIRD WORLD. SPECIFICALLY, IF THE SEVENTH SPECIAL SESSION US POSITION IS FIRST PRESENTED IN SEPTEMBER, THE REACTION WILL BE EVEN MORE VITRIOLIC THAN THAT WE EXPERIENCED IN THE SIXTH SPECIAL SESSION, I.E., THE US BASICALLY DOES NOT CARE AND TIMES ITS INITIATIVES SOLELY FOR ULTERIOR POLITICAL MOTIVES.
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PAGE 04 USUN N 01337 01 OF 02 241810Z

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